

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-11 EUR-25 EA-11 NEA-10 ADP-00 FRB-02

TRSE-00 CEA-02 CIEP-02 OMB-01 SS-15 NSC-10 INR-10

CIAE-00 L-03 RSR-01 /125 W
----- 115141

R 191630 Z APR 73

FM AMEMBASSY BERN

TO SECSTATE WASHDC 7555

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MUSCAT

AMEMBASSY SINGAPORE

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMCONSUL ZURICH UNN

C O N F I D E N T I A L BERN 1590

DEPT PLEASE PASS USINT BAGHDAD

E. O. 11652: GDS

TAGS: EFIN

SUBJ: FOREIGN EXCHANGE RESERVES (C- ER-3-57220)

REF: STATE 067409

1. EMBASSY AND CONSULATE GENERAL ZURICH FIND NO HARD EVIDENCE OF EXTENSIVE FOREIGN- EXCHANGE ACTIVITY THROUGH SWITZERLAND BY COUNTRIES MENTIONED REFTEL. THERE HAVE, OF COURSE, BEEN REPORTS THROUGH FRS CHANNELS OF SWITCHING OUT OF DOLLARS BY NEAR EASTERN INTERESTS, BUT THESE REPORTS DO NOT GIVE GOOD INDICATION OF VOLUME OR DIRECTION OF CURRENCY FLOWS. EXTENSIVE SWISS CONTROLS ON
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CAPITAL INFLOWS AND FLOAT OF SWISS FRANC SINCE JANUARY 22 INHIBIT INTEREST IN THIS MARKET. GERMAN FOREIGN- EXCHANGE MARKET WAS MORE INTERESTING TO ALL INVESTORS UNTIL RECENTLY. HOWEVER, OUR SOURCES BELIEVE THAT MAJOR ACTIVITY HAS BEEN, AND CONTINUES TO BE, THROUGH LONDON, AND WE HEAR THAT NEAR EASTERN INVESTORS ARE CAUTIOUS ON INVESTMENT IN DOLLAR SECURITIES.

2. HIGH SWISS NATIONAL BANK OFFICIAL SAYS THAT US BANKS WERE MAJOR SOURCE OF FOREIGN- EXCHANGE ACTIVITY IN SWITZERLAND DURING FIRST PART OF 1973. BANK OF AMERICA IS ALSO REPORTED TO HAVE BEEN SUBSTANTIAL SELLER OF DOLLARS IN FRANKFURT, PERHAPS FOR SOUTH AMERICAN CUSTOMERS. INFORMATION AVAILABLE SIMPLY BEGS QUESTION, HOWEVER, OF IDENTITY OF CUSTOMERS IN WHOSE BEHALF BANKS WERE TRADING. WE ASSUME THEY INCLUDED RESIDENTS OF COUNTRIES MENTIONED REFTEL BUT CANNOT VERIFY, GIVEN SWISS RELUCTANCE TO DISCUSS BANK CUSTOMERS AND PROBABILITY THAT ULTIMATE CUSTOMERS WERE NOT KNOWN TO BANKS IN SWITZERLAND.

3. IN LIGHT OF EXTENSIVE OPERATIONS OF MAJOR US BANKS, WE WONDER WHETHER INFORMATION REQUESTED REFTEL MIGHT NOT BE OBTAINED MORE READILY AND IN MORE PRECISE DETAIL THROUGH HEAD OFFICES OF US BANKS. WE SHALL ATTEMPT TO DEVELOP FURTHER INFORMATION FROM LOCAL CONTACTS BUT DOUBT THAT SWISS BANKERS WILL BE HELPFUL.
DAVIS

NOTE BY OC/ T: NOT PASSED USINT BAGHDAD

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*** Current Classification *** CONFIDENTIAL

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